

Accurate Reporting and Oversight Needed to Help Manage DHS' Warehouse Portfolio





DHS OIG HIGHLIGHTS

Accurate Reporting and Oversight Needed to Help Manage DHS' Warehouse Portfolio

August 28, 2015

Why We Did This

The Department of Homeland Security (DHS) manages a diverse warehouse portfolio. According to the Government Accountability Office, managing the Federal government's real property — which includes warehouses — is a high-risk area.

What We Recommend

We made two recommendations to the Department to improve oversight and management of its warehouse inventory and the completeness and accuracy of component warehouse information. In addition, we made two recommendations to U.S. Customs and Border Protection (CBP) to consolidate and close several warehouses.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

DHS' components own and lease warehouses for a variety of reasons, such as storing disaster relief supplies, computer equipment, seized assets, and excess property. Our audit objective was to determine the effectiveness of DHS' process of assessing and managing its warehousing needs.

Although DHS has taken steps to assess its warehouses, it cannot effectively manage its warehouse needs because some of the components misclassify many of their warehouses. We found buildings that should not have been on the Department's warehouse inventory. Conversely, we found buildings that should have been classified as warehouses, but were not. Because the warehouse inventories are inaccurate, DHS cannot manage warehouses or demonstrate compliance with requirements to limit the size of real property inventories and reduce costs.

Even though most warehouses we visited were well organized and appeared to support the components' missions, we identified three warehouses that CBP could potentially consolidate or close and put \$1 million per year to better use.

Agency Response

DHS reported that it is committed to effective and efficient use of taxpayer dollars through initiatives to identify regional consolidation and shared services opportunities. DHS concurred with the four recommendations in the report.



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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

AUG 28 2015

MEMORANDUM FOR: Jeffery Orner
Chief Readiness Support Officer
Management Directorate

Eugene H. Schied
Assistant Commissioner
Office of Administration
U.S. Customs and Border Protection

FROM: Mark Bell 
Assistant Inspector General for Audits

SUBJECT: *Accurate Reporting and Oversight Needed to Help Manage
DHS' Warehouse Portfolio*

Attached for your action is our final report, *Accurate Reporting and Oversight Needed to Help Manage DHS' Warehouse Portfolio*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving oversight of management of DHS' Warehouse Portfolio. Your office concurred with all four recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 through 3 open and unresolved. As prescribed by the Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved. We consider recommendation 4 open and resolved. Once your office has fully implemented the recommendation, please submit a formal closeout letter to us within 30 days so that we may close the recommendation. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.



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Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Don Bumgardner, Director, at (202) 254-4100.

Attachment



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Abbreviations

CBP	U.S. Customs and Border Protection
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
FEMA	Federal Emergency Management Agency
FLETC	Federal Law Enforcement Training Center
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
FY	fiscal year
GSA	General Services Administration
ICE	U.S. Immigration and Customs Enforcement
iTeam	Warehouse Logistics Integration Team
NCR	National Capital Region
NPPD	National Protection and Programs Directorate
OCRSO	Office of the Chief Readiness Support Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
S&T	Science and Technology Directorate
USCG	United States Coast Guard
USSS	United States Secret Service



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Background

The Department of Homeland Security's (DHS) components own and lease warehouses for a variety of reasons, such as storing disaster relief supplies, computer equipment, seized assets, and excess property. DHS warehouses vary in size, ranging from very small — such as a 45-square-foot shed used by United States Coast Guard (USCG) — to very large — such as a 500,000-square-foot Federal Emergency Management Agency (FEMA) warehouse (figure 1).

Figure 1: Large FEMA Warehouse



Source: DHS Office of Inspector General (OIG) photo

According to the fiscal year (FY) 2013 Department-wide database, DHS components owned or leased 1,628 warehouses consisting of nearly 6.3 million square feet, which is about the size of 110 football fields. See appendix D for the number of warehouses reported on the Department's FY 2013 database for each component. In that same year, the components spent about \$60 million to own or lease warehouses.

In 2010, the President directed agencies to save \$3 billion in real property¹ costs through a number of measures, including disposing of excess real property and pursuing opportunities for consolidation. In 2013, the Office of Management and Budget (OMB) issued guidance to agencies on this "Freeze the Footprint" policy, which encouraged smarter space usage through co-location and consolidations. According to the guidance, agencies cannot increase the size of their domestic office and warehouse inventory, measured in square feet, compared to the FY 2012 baseline. In March 2015, OMB issued an updated policy requiring agencies to reduce rather than freeze their footprint beginning in FY 2016.

DHS' Office of Chief Readiness Support Officer (OCRSO) is responsible for acquisition, utilization, operations and management, and disposal of DHS real

¹ Land and improvements constructed on or associated with that land. Improvements include buildings, other permanent structures, easements, or rights of way.



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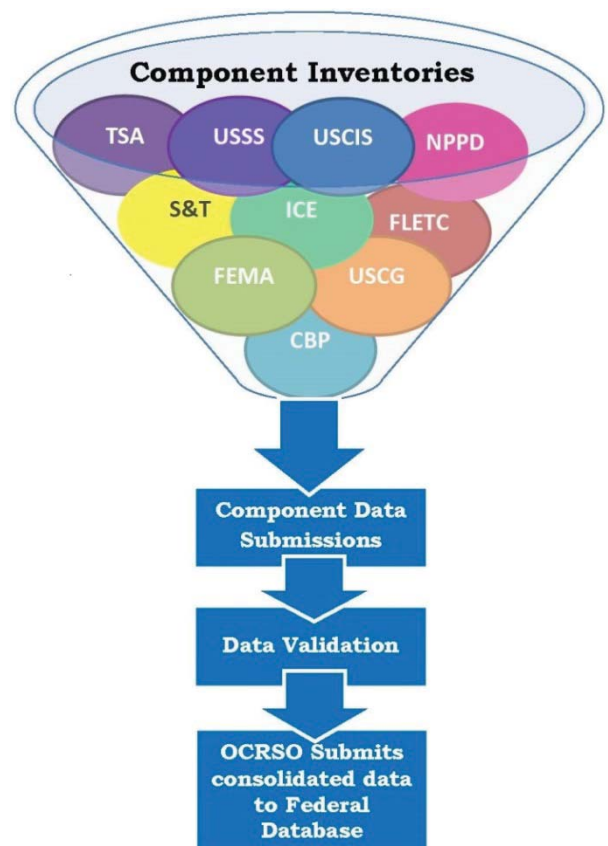
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property, which includes warehouses. Additionally, components designate a Real Property Officer and implement DHS real property policies and procedures by issuing component-level guidance. Each component maintains separate databases, or management information systems, to capture information for real property assets. The components report their inventories of real property assets to OCRSO's Real Property Data Warehouse. Figure 2 shows the information sharing process.

The OCRSO defined standardized reporting requirements to improve the consistency and completeness of component real property inventories and provides feedback regarding the validity of component-reported information such as instances where component data was blank, mismatched, or did not conform to reporting requirements. According to the OCRSO, it does not ensure that component information is accurate.

The OCRSO aggregates the component real property inventories and submits this consolidated inventory to the Federal Real Property Profile (FRPP) each year. The FRPP is a single, comprehensive government-wide database of executive branch agency real property. DHS does not report facilities it leases from the General Services Administration (GSA) to the FRPP because GSA reports these facilities in its annual submission.

Figure 2: Data Sharing Process – Real Property Data Warehouse



Source: DHS OIG graphic



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Results of Audit

Although DHS has taken steps to assess its warehouses, it cannot effectively manage its warehouse needs because the components misclassified many of their warehouses. We found buildings that should not have been on the Department's warehouse inventory. Conversely, we found buildings that should have been classified as warehouses, but were not. As a result, DHS' ability to make strategic management decisions to consolidate or close warehouses is limited. Also, neither DHS nor its components can demonstrate compliance with requirements to limit the size of real property inventories and reduce costs.

Even though most warehouses we visited were well organized and appeared to support the components' missions, we identified three warehouses that U.S. Customs and Border Protection (CBP) could potentially consolidate or close. By doing so, CBP could put \$1 million per year to better use. The Department should continue to assess components' real property inventories to identify additional opportunities to reduce warehouse square footage and achieve costs savings.

Component Warehouse Inventories

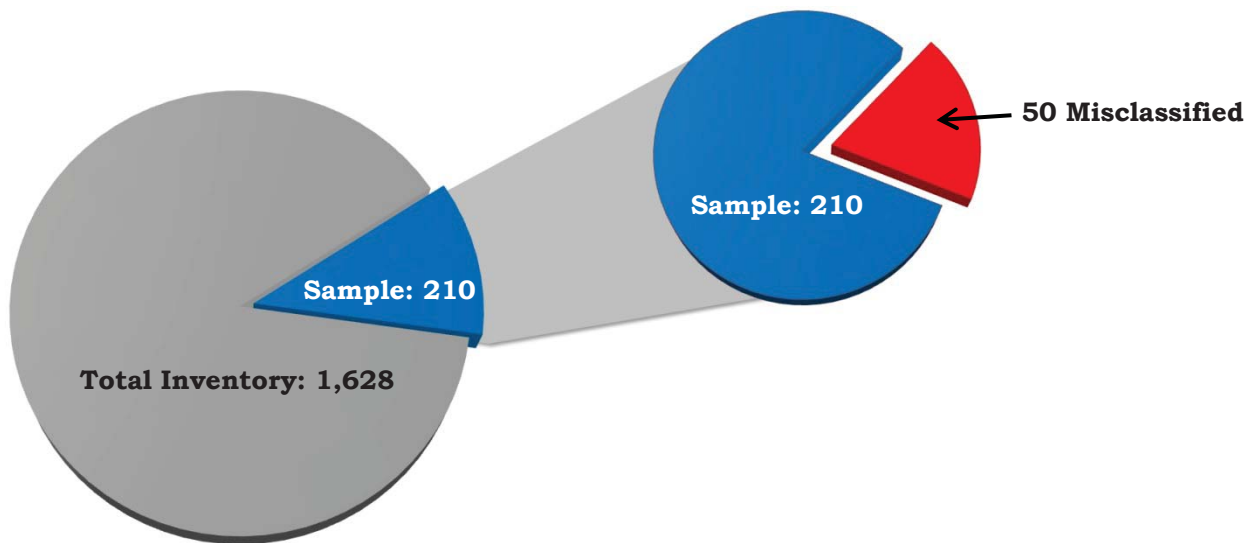
The component warehouse inventories are inaccurate because the components misclassified many of their buildings. We selected 210 warehouses from the Department's FY 2013 inventory to determine whether the components provided reliable information. According to our analysis, of the 210 reported warehouses, 160 (76 percent) were classified correctly. The remaining 50 buildings (24 percent) were not warehouses. In these cases, the components either misclassified buildings as warehouses or did not report accurate information. Figure 3 shows the results of our analysis.



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Figure 3: Number of Buildings Reviewed and the Number of Buildings Misclassified



Source: DHS OIG

Figure 4: Definition of a Warehouse

Classification of Warehouses

Some components classified buildings as warehouses even though they were not. The components could not always explain the classification and stated the classification was in error. For example, National Protection and Programs Directorate (NPPD) classified one of its “MegaCenters” as a warehouse.

“MegaCenters” monitor alarm systems, closed circuit television, and dispatch communications within Federal facilities throughout the Nation. According to NPPD, “MegaCenters” are not warehouses and this classification was a mistake. In another example, U.S. Immigration and Customs Enforcement (ICE) officials told us they did not know why some of their buildings had been classified as warehouses.

“DHS Warehouse encompasses buildings used for storage, such as ammunition storage, covered sheds, and buildings primarily used for storage of vehicles or materials. Also included are underground or earth covered ammunition storage bunkers and magazines. This category excludes water reservoirs and POL [petroleum, oil, lubricant] storage tanks which are storage structures.”

Source: OCRSO

In other cases, there was confusion among the components concerning the definition of warehouses. DHS adopted the Federal Real Property Council’s (FRPC) definition of a warehouse (figure 4), which includes a diverse variety of buildings. For example, Science and Technology Directorate (S&T) owns a “shipping and receiving” facility it uses to receive and examine supply shipments before they are transported to one of its facilities. S&T classified the



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“shipping and receiving” facility as a warehouse; however, some S&T personnel believed that the facility did not meet the definition of a warehouse because items are rarely stored at the location before they are transported. Other components, ICE and the Federal Law Enforcement Training Center (FLETC), classified structures as warehouses even though they did not meet the definition. Figure 5 shows a mobile storage container that ICE reported as a warehouse but should not have been included in the inventory. Although ICE used the structure for storage, it does not have a permanent foundation and should be considered personal property, not a warehouse.

Figure 5: Mobile Storage Container Classified as a Warehouse



Source: ICE photo

Warehouses Excluded from the Inventory

In addition, CBP and United States Secret Service (USSS) did not classify several buildings as warehouses even though they clearly used them as warehouses. For example, CBP leases a warehouse to store seized property such as weapons, currency, and illegal drugs. In FY 2013, CBP reported this space as a warehouse to the Department. In FY 2014, CBP reported this same space as a laboratory to the Department. Figure 6 shows another example of a warehouse that CBP misclassified as an office. In addition, we identified five warehouses that USSS classified as offices.

Figure 6: Warehouse Filled with Old or Broken Furniture Classified as an Office



Source: DHS OIG photo



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Reclassifying Warehouses

The USCG has made a significant effort toward improving the accuracy of its warehouse data. In 2011, it prepared a *Facilities Classification Guide* to improve the reliability of its real property information. The guide contains clear definitions and procedures for classifying warehouses. Since implementing its guide, USCG decreased the number of reported warehouses from 1,403 in FY 2013 to 765 in FY 2014.

In FY 2014, CBP reclassified some of its warehouses and removed them from its warehouse inventory. CBP stated that it removed some in error and removed others because it is a law enforcement agency and its “operational” warehouses should not be targeted for reduction of space, consolidation, or co-location efforts.

By removing warehouses from the inventories, USCG and CBP appeared to reduce the overall square footage of warehouses even though they did not consolidate or dispose of real property.

DHS Assessment and Management of Warehouses

The Department has taken steps to assess its warehouses. In FY 2013, the DHS Executive Logistics Council directed the OCRSO to conduct a review of component warehouses located in the National Capital Region (NCR). In response, the OCRSO established the Warehouse Logistics Integration Team (iTeam) with members from each component’s warehousing, real property, and personal property offices. The purpose of the iTeam was to assess the efficiency of the Department’s current real property footprint and warehouse operations to identify:

- opportunities for cost reductions,
- partnership opportunities,
- operational efficiencies, and
- strengths and weaknesses.

The iTeam’s primary goal was to develop recommendations and policy for DHS to meet or exceed “Freeze the Footprint” space goals and develop a plan to achieve as many cost-saving opportunities as possible. During its preliminary NCR site visits, the iTeam identified best practices such as partnerships with other government agencies to co-locate, disposing of excess materials, and efficient use of warehouse space. The iTeam also identified common issues such as:

- misclassification of real property,
- storage of excess materials,



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- lack of collaboration across components, and
- warehouses with no inventory management system.

The iTeam made several recommendations to enhance warehouse management, and its efforts had a positive impact on DHS' management of warehouses and similar efforts should continue. However, the OCRSO intends to dissolve the iTeam when its assessment is complete.

Potential for Consolidation or Disposal of Warehouses

The Department's management and oversight is further hindered because it does not know what the components store in their warehouses. This makes decisions to consolidate or close warehouses difficult. In spite of this limitation, the iTeam identified two potential opportunities for consolidation and disposal of warehouses during its site visits. We confirmed the iTeam's conclusions during our visits and found a third cost-saving opportunity to reduce total warehouse square footage. The three opportunities are:

1. Furniture Storage Warehouse

CBP leases a 54,000 square foot warehouse in Northern Virginia to store mostly excess furniture leftover from projects in which CBP reduced office space. CBP also stockpiles reams of printer/copier paper at this location and will pay about \$934,000 per year to lease this warehouse. Many of the items in the warehouse appeared to be obsolete or broken. The annual lease cost exceeds our estimated value of these items. Figure 7 shows excess furniture stored at the warehouse.

Figure 7: Excess Furniture Stored at the Northern Virginia Warehouse



Source: DHS OIG photo

During our audit, CBP was making an effort to consolidate office space and expected to complete the effort by September 2015. As part of this effort, CBP stored excess furniture at the warehouse and used some of it for other projects to save funds. However, according to our analysis, the savings did not justify the cost of the lease. In other words, CBP paid more to lease the space than it saved from its projects. In addition, because CBP expects to complete its effort by September 2015, a long-term lease for this facility is not warranted. The iTeam "strongly encouraged" CBP to examine the necessity of this facility and the overall size needed to meet the mission. In response, CBP said it



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planned to dispose of excess items stored in the warehouse, and renegotiate the lease with GSA for a smaller space.

In addition, the iTeam attempted to facilitate discussions between CBP and the Defense Logistics Agency (DLA) to explore a warehousing partnership. A partnership with DLA may have resulted in the ability to reduce the size and annual cost of leasing the facility. According to the iTeam, despite numerous attempts to bring CBP into discussions with DLA, CBP would not participate, citing the location of the DLA warehouse space as a “deal breaker.”

2. Computer Equipment Warehouse

CBP leases a 41,129-square-foot GSA warehouse also located in Northern Virginia to support its Data Center and store new computer equipment CBP distributes to its field offices. In addition, CBP stores old computer equipment. CBP will pay about \$502,000 each year to lease this warehouse. The iTeam estimated that about half of the items stored in this warehouse were old computer systems and other obsolete technologies. Figure 8 shows computer equipment awaiting disposal. Although the

warehouse is well managed, CBP could dispose of excess property to open up valuable storage space within the facility. CBP acknowledged that the timely processing of excess equipment stored at the warehouse was a challenge and had planned to complete the documentation needed to dispose of the excess property by the first quarter of 2015.

There is an opportunity for CBP to either reduce the size of this warehouse by disposing of excess property or consolidating with other underutilized warehouses, such as the furniture warehouse in our first example. The furniture warehouse and the computer equipment warehouse are only 4 miles apart.

Figure 8: Computer Equipment Awaiting Disposal



Source: DHS OIG photo



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3. Miscellaneous Storage Warehouse

CBP leases a 6,500-square-foot GSA warehouse in Northern California to store old computers, broken equipment, old office furniture, and some books. CBP will pay about \$74,000 each year to lease this warehouse. The warehouse is mostly empty and CBP does not actively manage or conduct physical inventories of the stored items. Also, it did not appear that CBP actively used the warehouse since 2012. Figure 9 shows the mostly empty warehouse.

According to the lease agreement, CBP will pay about \$400,000 from now through the August 2020 lease expiration date. If CBP terminates the lease, it would pay about \$24,000, or 6 percent of the total. CBP could put nearly \$376,000 to better use by terminating this lease and closing this warehouse. Terminating its lease agreement would not negatively impact CBP's mission.

Figure 9: View of the Mostly Empty Warehouse in Northern California.



Source: DHS OIG photo

Conclusion

The Department cannot effectively assess or manage its warehouse needs because the component inventories are inaccurate. This reduces the usefulness of component information as well as DHS' information reported to the FRPP. Without a concerted effort by the components to provide accurate and complete warehouse information, DHS cannot effectively manage its warehouse needs. This may persist until DHS develops and implements policies and procedures clarifying the definition of a warehouse. Additionally, because the warehouse inventories are unreliable, DHS cannot demonstrate compliance with "Freeze the Footprint" requirements.

DHS took steps to help components consolidate their warehouse space, reduce their footprint, and identify costs savings. Given the Department's accomplishments and recent OMB policy on reducing agency total square footage, it would be ideal to continue these efforts.

We identified potential savings of \$1 million per year by disposing of excess real property and reducing leasing at 3 warehouses. However, there may be other



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opportunities that we did not identify. Implementing department-wide policies and procedures for warehouse management should help DHS reduce costs while also addressing some of the challenges facing components.

Recommendations

Recommendation 1: We recommend that the Chief Readiness Support Officer oversee and manage DHS warehouses as real property assets by:

- implementing policies and procedures for consistently reviewing, classifying, justifying, and accounting for warehouses; and
- identifying opportunities to reduce the real property footprint.

Recommendation 2: We recommend that the Chief Readiness Support Officer require the components to assess their real property inventories to ensure their inventories of warehouses are accurate and complete.

Recommendation 3: We recommend that the Assistant Commissioner for the Office of Administration at CBP put \$74,000 per year to better use by terminating the warehouse lease for the miscellaneous storage warehouse in Northern California.

Recommendation 4: We recommend that the Assistant Commissioner for the Office of Administration at CBP put \$934,000 per year to better use by disposing of excess equipment and consolidate the furniture and computer equipment storage warehouses in Northern Virginia.

DHS & CBP Comments to the Draft Report

DHS and CBP concurred with our recommendations and provided comments to the draft report. A summary of DHS and CBP's responses and our analysis follows. We have included a copy of the DHS and CBP's management comments in their entirety in appendix B. DHS and its components also provided technical comments to our report. CBP raised concerns regarding consolidating the excess furniture warehouse and the IT warehouse because furniture is large and bulky and it may be difficult to store on vertical shelves. However, if CBP disposes of the excess furniture and discontinues the practice of storing excess furniture in a warehouse, it could alleviate this concern. We made changes to incorporate these comments, as appropriate.

Response to Recommendation #1: DHS concurred. In response to the first part of our recommendation, DHS said that policies and procedures are already in place and components are implementing them to accurately classify and account for warehouses. In response to the second part of our recommendation, the Department's "Reduce the Footprint" Real Property



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Efficiency Plan, which targets reductions in office and warehouse space, will be submitted to OMB no later than September 15, 2015, and will include the Department's 5-year plan to reduce the footprint. In addition, CRSO instituted an on-going review of component real property program management to ensure alignment and compliance with departmental objectives. The estimated completion date is December 31, 2015.

OIG Analysis: DHS concurred with our recommendation, but did not describe a corrective action plan for implementing both parts of our recommendation. The first part of the recommendation is for DHS to implement policies and procedures for consistently reviewing, classifying, justifying, and accounting for warehouses. Although we recognize that DHS already has policies and procedures in place requiring components to properly classify and account for warehouses, we reported that the information DHS relies on to manage its warehouse portfolio is inaccurate and unreliable. As described in our report, components misclassified many warehouses.

We also acknowledge DHS' concerns regarding annual reporting requirements, which require the department to classify buildings using FRPC guidance. This guidance requires Federal agencies to classify buildings they own based on the predominant use of the entire building, not the portion of the building an agency occupies. We assert that even if DHS leases a warehouse in a GSA building that its tenants predominantly use as office space, DHS should still record the warehouse on its inventory.

The second part of our recommendation is for the Department to continue efforts to identify opportunities to reduce the real property footprint. DHS stated that it will submit a Real Property Efficiency Plan, on September 15, 2015, with a 5-year plan to reduce the warehouse and office space. DHS also indicated that it has implemented a regional field efficiencies initiative as well as an on-going review of component real property management. These efforts may be responsive to the recommendation, but DHS did not provide enough information regarding these efforts for us to determine if they fully address the recommendation.

The recommendation will remain unresolved and open until the Department provides a corrective action plan that addresses its (1) strategy and milestones for implementing guidance to improve the accuracy of warehouse data, and (2) Real Property Efficiency Plan that includes a 5-year plan to oversee warehouse properties and reduce the real property footprint.

Response to Recommendation #2: DHS concurred. DHS stated that OCRSO requires the components to assess their real property inventories under DHS' Real Property Management Directive. Additionally, per FRPC guidance,



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components are required to certify that their data is complete and accurate to OCRSO each year. DHS, in turn, certifies this information is complete and accurate by December 15 for submission to the FRPC. The estimated completion date is December 31, 2015.

OIG Analysis: DHS' comments are not responsive to the recommendation. DHS cited requirements to comply with FRPC's annual reporting requirements, but as described in our report, DHS cannot effectively manage its warehouse needs because the components misclassified many of their warehouses. Also, as described in our report, OCRSO validates component data to ensure it conforms to reporting requirements but does not ensure that component information is accurate. Components need to perform an assessment of their real property warehouse inventories to ensure the inventory is accurate and complete. Implementation of clear guidance prior to this assessment, per our first recommendation, will ensure that component assessments result in accurate and reliable information.

The recommendation will remain unresolved and open until the department provides a corrective action plan describing its strategy and milestones for requiring components to assess their warehouse inventories.

Response to Recommendation #3: CBP concurred. CBP stated that its Office of Field Operations, San Francisco Field Office, and Office of Administration's Facilities Management and Engineering, will coordinate to determine an alternative solution for the property stored in the Linden Warehouse leased space, such as procuring a smaller storage space in a low rent suburb of San Francisco. The estimated completion date is June 30, 2016.

OIG Analysis: CBP's response does not fully address the recommendation. CBP cannot put \$74,000 to better use as long as it continues to lease space to store property at this location. We recognize that CBP may find some records or other property in this warehouse that it must archive or retain but, as described in the report, the warehouse is largely empty. In addition, many of the stored items are old and of no use. The intent of our recommendation was not for CBP to lease a different warehouse. This recommendation will remain unresolved and open until CBP provides a corrective action plan for disposing of the property stored in this warehouse or transferring it to another CBP facility and terminating the warehouse lease.

Response to Recommendation #4: CBP concurred. CBP stated that it recognizes it may have excess equipment and furniture. CBP will continue to assess the inventories of its warehouses, to include the Northern Virginia warehouses, to determine what material can be disposed of in order to clear space for incoming inventory and revalidate warehouse requirements. CBP will



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work with OCRSO to explore opportunities for warehouse space consolidation, as appropriate. CBP will take the following actions to address this recommendation:

- By August 31, 2016, CBP will achieve a space reduction of more than 50 percent associated with furniture inventory reduction and more efficient warehouse management.
- By March 31, 2017, CBP will begin reevaluation of the furniture inventory reuse and excess plan for continuing needs, and further exploration of the possibility of additional reduction or warehouse consolidation.

The estimated completion date is September 30, 2017.

OIG Analysis: We consider CBP's planned actions to be partially responsive to our recommendation. This recommendation is resolved and will remain open until CBP provides a corrective action plan describing its plan to dispose of excess equipment and furniture at these warehouses and to work with OCRSO to consolidate warehouses, as well as milestones for implementation.



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Appendix A

Objectives, Scope, and Methodology

DHS OIG was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

Our audit objective was to determine the effectiveness of DHS' process of assessing and managing its warehousing needs. To answer our objective, we:

- Obtained and reviewed relevant criteria, policies, and other guidance related to real property management;
- Interviewed OCRSO and component real property subject matter experts to gain an understanding of real property management;
- Reviewed and analyzed the results of iTeam real property studies;
- Consulted GAO's July 2009 guidance and "*Assessing the Reliability of Computer Processed Data*" to determine if the department and components' systems in place effectively support warehouse management. The data reliability of a DHS system refers to the accuracy and completeness of this electronic data given the uses it is intended for. We analyzed the completeness, accuracy, and consistency of this data to determine its reliability;
- Performed data reliability testing on FY 2013 year-end data from the DHS CAPSIS Real Property Data Warehouse System. FY 2013 was the most recent and verified information at the time the audit began;
- Produced two statistical samples:
 1. warehouses greater than 5,000 square feet, owned or leased, by USCG; and
 2. warehouses of any size owned or leased by all other DHS Components.

USCG had about 1,100 more warehouses than the other DHS components combined. Therefore, we analyzed USCG separately as to not skew the sample. We presented the results of USCG and the components together in the report to simplify the presentation of this information. Presenting the information in this manner did not impact our results and conclusion;

- Analyzed and verified the Real Property Data Warehouse information for each sampled facility. We interviewed personnel responsible for the warehouses and requested supporting documentation;
- Visited a judgmental sample of warehouses in Aguadilla, PR; San Pedro, CA; Denver, CO; and Boston, MA. We also visited warehouses in the National Capital Region; Miami, FL; and San Francisco, CA areas. The iTeam identified these areas as having the highest number of warehouses



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within a 50 mile radius of all components. We conducted our own analysis and concurred with the iTeam's determination and visited warehouses in these areas with representatives of the iTeam;

- Verified the Real Property Data Warehouse data at sites visited and conducted a physical inventory of items stored in warehouses when possible; and
- Obtained inventory data for FYs 2013 and 2014 to show the overall change in the warehouse inventory.

We conducted this performance audit between June 2014 and March 2015 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Appendix B

DHS and CBP Comments to the Draft Report


U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

July 15, 2015

MEMORANDUM FOR: Mark Bell
Assistant Inspector General for Audits
Office of Inspector General

FROM: Jim H. Crumpacker, CIA, CFE 
Director
Departmental GAO-OIG Liaison Office

SUBJECT: OIG Draft Report: "Accurate Reporting and Oversight
Needed to Help Manage DHS' Warehouse Portfolio"
(OIG Project No. 14-029-AUD-DHS)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the Office of Inspector General's (OIG's) work in planning and conducting its review and issuing this report.

DHS Management Directorate (MGMT) and U.S. Customs and Border Protection (CBP) leadership welcomes OIG's positive recognition that the Department has taken steps to more effectively manage its warehouses by consolidating Component warehouse space, reducing Component footprints, and identifying costs savings. DHS is committed to the effective and efficient use of taxpayer dollars in managing its warehouse portfolio through its field efficiencies initiative, which takes a regional look at real property consolidation and shared services opportunities, as well as other Department wide and Component efforts.

Under the direction of the DHS Executive Logistics Council (DELC), the DHS Office of the Chief Readiness Support Officer (CRSO) established the Warehouse Logistics Integration Team (iTeam) in 2013 and staffed it with members from each Component's warehousing, real property, and personal property teams. The iTeam's efforts since inception have had a positive impact on DHS's management of warehouses. The iTeam has developed a DHS definition of "warehouse", inventoried the entire DHS portfolio of warehouses to identify geographical areas for consolidation opportunities, and performed a study of DHS warehouses in the National Capitol Region. This analysis was shared with OIG during the audit. With regards to OIG's conclusions about "misclassified" warehouse space, however, it is important to note that Federal Real Property Council (FRPC) guidance requires agencies to classify their buildings based on the predominant



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use of the entire building and not by the portion of space an agency occupies (i.e., actual use). CRSO is engaged in on-going discussions with the Commissioner, U.S. General Services Administration, Public Buildings Service to promote improved facility management support, including reaching a better understanding about facility use definitions.

The draft report contained four recommendations, two each for MGMT and CBP, with which DHS leadership concurred. Specifically, OIG recommended that the:

Recommendation 1: DHS Chief Readiness Support Officer oversee and manage DHS warehouses as real property assets by:

- implementing policies and procedures for consistently reviewing, classifying, justifying, and accounting for warehouses; and
- identifying opportunities to reduce the real property footprint.

Response: Concur. DHS policies and procedures are already in place and being implemented by the Components. Utilization and justification of initial and continuing mission need is governed by Title 41, C.F.R., Subtitle C, § 102 Federal Management Regulations, Subchapter C “Real Property”, Parts 102-71 to 102-86, as amended. DHS Directive 119-02, “Real Property Management Program”, requires a periodic review of real property holdings on an annual basis to ensure proper classification and accounting for warehouses. Per FRPC guidance, Components are required to certify that their data is complete and accurate to CRSO each year. DHS, in turn, certifies this information is complete and accurate by December 15th for submission to the FRPC.

CRSO is responsible for the implementation of the Office of Management and Budget (OMB) real property initiatives Department-wide. This includes Freeze-the-Footprint and its successor, Reduce-the-Footprint, which targets reductions in office and warehouse space. The Reduce the Footprint “Real Property Efficiency Plan” will be submitted to OMB no later than September 15, 2015, and will include the Department’s five-year plan to reduce the footprint. DHS also continues to identify opportunities to reduce the real property footprint through the regional field efficiencies initiative where CRSO works directly with the Components located in a particular region of the country to explore opportunities for consolidation of office and warehouse space where feasible. In addition, CRSO instituted an on-going review of Component real property program management to ensure alignment and compliance with Departmental objectives.

Estimated Completion Date (ECD): December 31, 2015.

Recommendation 2: DHS CRSO require the Components to assess their real property inventories to ensure their inventories of warehouses are accurate and complete.



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Response: Concur. CRSO requires the Components to assess their real property inventories. Specifically, DHS Directive 119-02, "Real Property Management Program", requires the Components to (1) establish an annual real property management improvement goals and plans consistent with FRPC guidance, and (2) provide a listing and description of the Component real property assets on a quarterly basis to OCRSO for end of fiscal year submission to the Federal Real Property Profile. Per FRPC guidance, Components are required to certify that their data is complete and accurate to CRSO each year. DHS, in turn, certifies this information is complete and accurate by December 15th for submission to the FRPC.

ECD: December 31, 2015.

Recommendation 3: CBP Assistant Commissioner for the Office of Administration put \$74,000 per year to better use by terminating the warehouse lease for the miscellaneous storage warehouse in Northern California.

Response: Concur. The CBP Office of Field Operations, San Francisco Field Office, will coordinate with CBP's Office of Administration's Facilities Management and Engineering, Laguna Niguel Regional Office, to determine an alternative solution for the property stored in the Lynden Warehouse leased space, such as procuring a smaller storage space in a low rent suburb of San Francisco.

ECD: June 30, 2016.

Recommendation 4: CBP Assistant Commissioner for the Office of Administration put \$934,000 per year to better use by disposing of excess equipment and consolidate the furniture and computer equipment storage warehouses in Northern Virginia.

Response: Concur. CBP recognizes it may have equipment and furniture excess to its needs. The Office of Information Technology warehouse in Northern Virginia already serves as a critical swing space to accommodate IT equipment life cycle management and the Office of Administration warehouse in Northern Virginia serves as a critical swing space to accommodate disposal of excess furniture. Therefore, both of these warehouses support reducing the administrative footprint per OMB Management Procedures Memorandum No. 2015-01, "Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint", dated March 25, 2015. CBP will continue to assess the inventories of its warehouses, to include the Northern Virginia warehouses, to determine what material can be disposed of in order to clear space for incoming inventory and revalidate warehouse requirements. CBP will work with CRSO to explore opportunities for warehouse space consolidation, as appropriate.



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CBP will take the following actions to address this recommendation:

- By August 31, 2016, CBP will achieve a space reduction of over 50% associated with furniture inventory reduction and more efficient warehouse management.
- By March 31, 2017, CBP will begin reevaluation of the furniture inventory reuse and excess plan for continuing needs, and further exploration of the possibility of additional reduction or warehouse consolidation.

ECD: September 30, 2017.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.



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Appendix C

Warehouses Reported on DHS' FY 2013 Database for each Component

Component	Square Feet	Number
United States Coast Guard (USCG)	2,078,651	1,378
Federal Law Enforcement Training Center (FLETC)	264,822	82
Federal Emergency Management Agency (FEMA)	2,271,010	44
Immigration and Customs Enforcement (ICE)	97,571	41
Customs and Border Protection (CBP)	381,641	34
Transportation Security Administration (TSA)	496,522	18
Science and Technology (S&T)	99,061	13
United States Citizenship and Immigration Services (USCIS)	559,830	6
United States Secret Service (USSS)	41,262	5
National Protection and Programs Directorate (NPPD)	13,638	4
Headquarters (HQ)	12,449	3
Total	6,316,457	1,628

Source: OIG summary of data from the Department's Real Property Data Warehouse



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Appendix D
Potential Monetary Benefits

Classification of Monetary Benefits	Recommendation Number	Funds Per Year to Be Put to Better Use
Terminate the lease at CBP's Miscellaneous Warehouse in Northern California	3	\$74,000
Terminate the lease at CBP's Furniture Storage Warehouse in Northern Virginia and consolidate with nearby Computer Equipment Warehouse	4	\$934,000
Total		\$1,008,000



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Appendix E

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Appendix F

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